

CHARITABLE CHATTER

The Department of Charitable Gaming Newsletter

Published by The Commonwealth of Kentucky – Department of Charitable Gaming
Paul E. Patton, Governor
Janie A. Miller, Secretary

The Department of Charitable Gaming

Ray Franklin, Commissioner
Scott Jones, General Counsel

Cheryl A. Wainscott, Director of Licensing & Compliance
John Winstead, Director of Enforcement

Brandy Adcock, Layout & Design

Commissioner's Corner

During my tenure as Commissioner of Kentucky's Department of Charitable Gaming, I have always emphasized the importance of open lines of communication between this agency and the people and organizations that participate in charitable gaming. Providing information to you, and giving you the opportunity to make comments and ask questions about the information we provide, helps to foster an environment conducive to your long-term fundraising success. To broaden the means of communication available to you and to this Department, we have at long last renewed the "Charitable Chatter", our Department newsletter. I hope you, as readers of this newsletter, find it informative and thought-provoking, and I furthermore hope that you will share your opinions about it with us.

The "Charitable Chatter" will be published at the beginning of each calendar quarter. Each issue will contain a variety of information, some of which may be related to specific concerns confronting charitable gaming organizations, such as an explanation of the 40% calculation, or directions on how to fill out a new attachment to the quarterly report form. Other articles may address issues that have a more broad application, such as the basics of the Department's audit process, or a general explanation of how administrative regulations

are enacted. I am certain that some of you have called the Department and talked with our employees about these very issues; I am equally certain that our staff has been helpful in providing you the appropriate assistance. There is no substitute for that kind of attention, and you may expect us to continue delivering this quality of service. Yet I also believe that we can reach more of you with this kind of information through use of the "Charitable Chatter". This publication will emphasize more detail in discussion of these subjects than can generally be absorbed in a telephone conversation.

Each of you are strongly encouraged to take a moment to glance at the newsletter. If you agree with, disagree with, or have a question or comment about a subject addressed in it, please do not hesitate to pick up the phone and call, write an e-mail, or send a letter to make your point. Take my word for it that we listen. What you have to say is important to us, and by opening further our lines of communication we can educate each other about how to most effectively regulate the charitable gaming industry that is so important to us all.

Ray Franklin, Commissioner



Changes in Licensing

By Patty Castle



The Licensing Branch is very excited about the newsletter for our licensees. We feel this gives us an opportunity to let you know changes that are taking place in Licensing that will affect you.

We are extremely busy due to the large numbers of charitable gaming licenses that have been expiring. To better serve our licensees, we cannot stress enough the importance of submitting your application for renewal to the Department at least sixty (60) days prior to expiration as required by 820 KAR 1:015, Section 1. This allows the Licensing Branch ample time to review your application, request additional information, if necessary, request fingerprinting cards be submitted, and issue a renewed license in a timely manner. We would also like to remind you that if you owe any fines or fees, Licensing cannot process your license until payment is received.

Listed below are the total active licenses as of June 1, 2002.

Organizations	791
Special Licensed Games	
[Charity Fundraising Events]	117
[Special Limited C.F.E.'s]	59
Facilities	69
Distributors	43
Manufacturers	17
Exemption Acknowledgments	520

I am sure you are aware that Form CG-1 Application for License for Charitable Organization to Conduct Charitable Gaming in the Commonwealth of Kentucky, and Form CG-Schedule A have been revised. We hope you find these forms to be more "user friendly". The new items that have been added to the Form CG-1 application are listed below.

4c through 4f

These questions relate to those organizations who conduct bingo sessions at more than one location (must be in same county). You now have a space to record your second gaming session and location. **Note:** The application only requires the day of week and beginning time for when the first ball is called. Your license will now reflect five (5) consecutive hours to play bingo unless you notify the Department otherwise.

9d

This question is asking where the business records for your organization are maintained.

13b-c

Allows you the opportunity to notify the department if your organization maintains an office in another county other than for the sole purpose of charitable gaming.

The Licensing Branch has recently completed processing numerous Form CG-Schedule A's, Application for Special Limited Charitable Gaming License and Special Charity Fundraising Event License, for Summer Fairs, Festivals, Carnivals, and Bazaars. Many groups waited until the last week or two to file their forms. This creates a hardship situation not only for the Department but for the organizations as well. A completed Form CG-Schedule A is to be submitted to the Department at least thirty (30) days prior to the event. In filling out Form CG-Schedule A, please be sure to list the number of tables, wheels, and booths for each type of gaming activity to be held. This will enable the Licensing Branch to determine, by predominant type of games, whether your event will be a Special Limited Charity Fundraising Event or a Charity Fundraising Event License.

Note: Changes to the Form CG-Schedule A – Application for Charity Fundraising Event License or Special Limited Charity Fundraising Event License are minor.

7b

Requires a copy of the written agreement between the organization and the distributor be furnished to the Department.

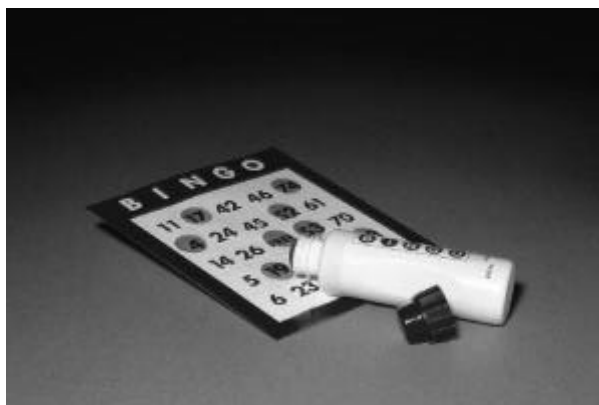
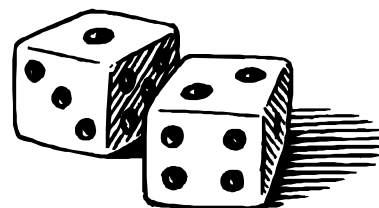
Reminder: Only one \$25.00 processing fee is charged if an organization submits more than one Form CG-Schedule A with its renewal application.

If the Licensing Branch can aid you in filling out your application, or should you have licensing questions, please do not hesitate to call Lorrina Blevins, Martin Green, Janice Mattox, or Patty Castle at (502) 573-5528 or toll free in Kentucky at (800) 729-5672. The Forms may be obtained from our website at www.dcg.state.ky.us.

New and Old Licensees

The Department is conducting training sessions for all interested parties on the 1st Tuesday of each month. This training is conducted at our Frankfort office, 132 Brighton Park Boulevard, beginning at 9:30 a.m. We would encourage your organization to participate in this training.

These training sessions discuss all aspects of charitable gaming. Someone from each section of the Department will thoroughly walk you through the processes that must be followed to be successful in charitable gaming. Contact Tammy Downey to schedule your training at (502) 573-5528 or (800) 729-5672.





It's That Time Again!

By Teresa Sanders

The due date for quarterly reports is drawing near. Remember the report and fee are due in our office or postmarked no later than July 30th. The quarterly report form has changed, and the new or amended items are listed below:

- Part one on the front-page now has two (2) extra lines. One is for the addition of collected returned checks in the quarter and the other is for the deduction of returned checks in the quarter.
- Part two on the front-page now has three (3) extra lines. One is for the reporting of the Bingo Card Minding Device expenses. The second is for the deduction of sales or use tax on gaming supplies and equipment from a licensed distributor. The third line is for the deduction of federal excise tax that would be reported as an expense on line eleven.
- The Attachment A now requires you to list deposits to the gaming account.
- Attachment C now has lines for cash over and short during the events.
- Attachment D now has lines for cash over and short for bingo and pulltab sales.
- Attachment D now has a new page for the tracking of progressive pulltab games.
- Attachment E now requires you to list the transfers of gaming funds from your charitable gaming account to other accounts and those account numbers.

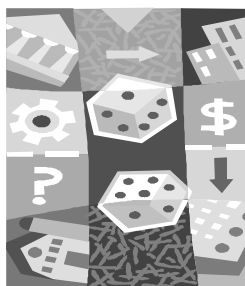
- Attachment F now requires you to list the donors of prizes valued in excess of \$50.

If you have any questions regarding filling out your quarterly report you can contact Teresa Sanders or Brandy Adcock at (800) 729-5672 or (502) 573-5528.

When is Your Quarterly Report Due?

- 1st Quarter – April 30th
- 2nd Quarter – July 30th
- 3rd Quarter – October 30th
- 4th Quarter – January 30th

- ❖ If the 30th of the month falls on a weekend or legal holiday, then the report is due on the following business day.
- ❖ If the report and fee are not received on time, a fine of \$25.00 per day, not to exceed \$250.00 will be imposed on the organization.
- ❖ All facilities must begin submitting quarterly reports in the 3rd quarter. Use the dates above to remind you when they will be due. The facility report form is Form CG-FACQR.
- ❖ If you are distributor who provides card-minding devices to charitable organizations, you must also file a quarterly report beginning in the 3rd quarter. Use Form CG-DIS/CMD.
- ❖ All quarterly report forms can be downloaded from our website at www.dcg.state.ky.us.



Questions and Answers

By The Auditing Branch

The Audit Branch has compiled a list of frequently asked questions and is answering them in this issue of the "Charitable Chatter". If there is a question that you have and we did not answer it in this quarter, give the Audit Branch a call and we can address it in the next issue. There may be other organizations that have the same questions, but are afraid to ask.

Q. How long must an organization retain its records?

A. An organization must retain its records for a period of three years according to KRS 238.550(5). The records that must be retained for three years include the following:

- ☐ Session sheets that are used during the gaming session
- ☐ Bank statements, cancelled checks, and check registers for the charitable gaming checking account, the general checking account, and any other checking accounts that the organization might have if charitable gaming receipts are deposited or transferred into those accounts
- ☐ Invoices for charitable gaming expenses
- ☐ The names and addresses of all persons who are winners of prizes of six hundred dollars (\$600.00) or more
- ☐ A list of donations (names, addresses, date of donation, check number, and amount) made to all charitable endeavors that received money from charitable gaming funds
- ☐ Records for door prizes exceeding thirty dollars according to 820 KAR 1:040, Section 7(5)
- ☐ Raffle records according to 820 KAR 1:050, Section 4

Q. Does the organization have to keep winning pulltabs and seal cards for 3 years?

A. No. 820 KAR, Section 9(6) states that all winning charity game tickets (pulltabs) and seal cards with a prize value of \$50 dollars and above and all unsold charity game tickets shall be retained by the organization for a period of 12 months to allow auditing by Department staff.

Q. In what kind of order should pulltabs and seal cards be kept?

A. Winning pulltabs and seal cards with a prize value of \$50 dollars and above need to be kept by session date. Most organizations find that it's easier to keep these records in a large envelope with the session date on the front, while other organizations put these records in a box that a pulltab game came in and write the date on the box. These should be filed in date order.

Q. My organization was audited last year and was told not to write checks to the IRS for wagering tax imposed on the pulltabs from the charitable gaming checking account. Now, we have been told to write these checks from the charitable gaming checking account. Which is correct?

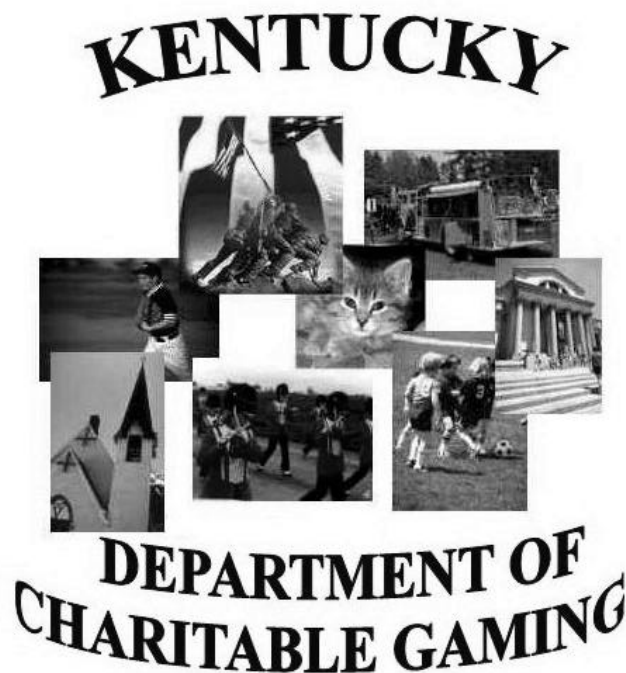
A. Payments to the IRS for the wagering tax imposed on pulltabs should be written from the organization's charitable gaming checking account effective March 13, 2002. 820 KAR Chapter 1 was revised on March 13, 2002 to include these payments as an expense (See 820 KAR 1:120, Section 1(8) for this revision). This expense is excluded from the 40 % calculation.

Q. My organization just started gaming. How do I learn how to keep accurate records?

A. Please read the statute and regulations, and review the Quarterly Report before you start gaming. All are available from the website, www.dcg.state.ky.us. Worksheets are also available from the website. Training is available the first Tuesday of every month. The Department is also available to answer questions anytime. The toll free number is 800-729-5672. The Department is the most reliable source of information related to charitable gaming.

- Q. Can office supplies used in bingo (rubber bands, pens, paper clips, etc.) be purchased from the charitable gaming account?
- A. No. Expenses that can be paid out of the charitable gaming account are listed in KRS 238.550(6). These are: charitable gaming supplies and equipment, rent, utilities, insurance, advertising, janitorial services, bookkeeping and accounting services, security services, membership dues for its participation in any charitable gaming trade organization, and any other expenses the department may determine by administrative regulation to be legitimate. Paying for any other expenses out of the gaming account will hurt the 40 % by raising expenses unnecessarily. Daubers are not a charitable gaming expense.
- Q. Do I have to make separate deposits for start up cash, receipts, and bad check collection?
- A. No, this is not required by statute or regulation. However, making separate deposits is a great way for the charity to keep track of its gross receipts, check collections, and start-up cash.

- ♦ **IF YOU ARE A CHARITABLE ORGANIZATION, PLEASE REMEMBER TO COMPLETE THE SURVEY (BLUE PACKET) THAT CAME WITH YOUR COPY OF THE "CHARITABLE CHATTER".**



Work hard for your charities and have a great quarter!